

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on March 2, 1999 at 8:00 A.M., in Room 108 Capitol.

ROLL CALL

Members Present:

Sen. Chuck Swysgood, Chairman (R)
Sen. Tom Keating, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. Eve Franklin (D)
Sen. Greg Jergeson (D)
Sen. Bob Keenan (R)
Sen. J.D. Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Miller (R)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Mike Taylor (R)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. Ken Mesaros (R)

Members Absent: None.

Staff Present: Shannon Gleason, Committee Secretary
Pam Joehler, Legislative Fiscal Division

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 64, HB 69, HB 110, HB 207
Executive Action:

HEARING ON HB 64

Sponsor: REP. MATT MCCANN, HD 92, HARLEM

Proponents: NONE

Opponents: NONE

Opening Statement by Sponsor:

REP. MCCANN stated this bill was introduced last session, and requires agencies to submit a prioritized list of functions and projects for the Legislature to review and approve. REP. MCCANN advised he envisioned a caption in the budget book reviewing the base budget and priorities of each agency, and stated this was important because of term limits and increasing budgets. REP. MCCANN noted this bill is not designed to cut the budget by 15%, it was designed to get back to zero based budgeting, and felt 90 days would not allow for a full review, but thought the captions submitted by the agencies could help with the budget review.

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 8:06}

SEN. LYNCH advised this will not work because smaller agencies can not cut the budget 15%, REP. MCCANN noted the point was not to cut the budget by 15%, simply find the 15% of non high priority functions and review them. SEN. LYNCH thought it was unwise to put people through "hoops" because it costs time and uses resources to determine the 15% and noted some agencies are ran by only a few people. REP. MCCANN thought that was a fair insight and questioned the actual time it would take to compile the report. REP. MCCANN offered to compromise and advised he was open to amending the bill to improve it, he noted he felt the base needs to be reviewed. SEN. LYNCH thought this could be used as a ploy and felt agencies would pick high priority items to cut knowing the Legislature would not cut them, REP. MCCANN advised he hoped the departments would not test this, and felt this could help make an educated decision when trying to cut money from the overall budget.

SEN. KEATING supported REP. MCCANN efforts and added sub committees were reviewing every budget but now the committees are only reviewing present law adjustments and new proposals. SEN. KEATING wondered if there were some way the Finance and Claims committee could ask each department to present their budget and programs and review them for efficiency and need. REP. MCCANN

thought because of the 90 day time frame there was no way to do that, however he felt this bill would make it easier for a base budget review. **SEN. KEATING** asked if the zero base budget would cause a review of each department, **REP. MCCANN** thought it would.

SEN. TAYLOR thought this could be a step in the right direction.

SEN. TAYLOR expressed concern over the loss of experience and past knowledge by term limits, and added he thought it was difficult for new Legislatures to understand the budgets and new programs. **SEN. TAYLOR** commented he was interested to see what will happen to the agencies when budget cuts need to be made and Legislatures do not have the proper knowledge of the base to make the changes.

SEN. SHEA asked if this passed would the base budgets be reduced every year by 15%, **CHAIRMAN SWYSGOOD** advised they would not reduce the budget, there would be a review every biennium of the 15% classified as low priority. **REP. MCCANN** advised this could be used as a tool to reduce, but would require the agencies to submit a caption on their department for Legislative review.

{Tape : 1; Side : A; Approx. Time Counter : 816}

SEN. JERGESON advised the language of the bill stated the agencies were to provide a plan for an 85% reduction, **REP. MCCANN** advised the wording may need to be cleaned up, **Pam Joehler**, Fiscal Services, advised the current base budget was classified as the even year of the biennium just ending, and she interpreted the wording to require 85% of the fiscal 98 expenditures for the 2001 biennium, for example.

Closing by Sponsor:

REP. MCCANN closed and advised the committee he was open to any amendments to make the bill better.

HEARING ON HB 69

Sponsor: **REP. MATT MCCANN, HD 92, HARLEM**

Proponents: None

Opponents: None

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 8:18}

REP. MCCANN advised this bill was a result of the interim committee action to review State Special Revenue Accounts and Statutory Appropriation Accounts this is a common sense bill to clear up statute and recognize the need and use of the dedicated revenue accounts. **REP. MCCANN** noted the technical notes in the fiscal note had been corrected by the House.

Questions from Committee Members and Responses:

SEN. LYNCH requested a new Fiscal note reflecting the changes and did not feel comfortable passing the bill without one.

Closing by Sponsor:

REP. MCCANN acknowledged several people had worked hard on this bill in an attempt to do the right thing. **REP. MCCANN** advised the Lottery Division presented arguments during the interim that were addressed, and requested any changes the committee thought should be made be brought forward.

CHAIRMAN SWYSGOOD explained to the committee in the 1993 session SB 378 directed the Legislative Finance Committee in the interim to review statutory appropriations and earmarked accounts in an attempt to reduce the number of accounts. **CHAIRMAN SWYSGOOD** advised since that time appropriated funds have been decreased from 70% of the budget to under 50% and noted the committee has done a excellent job and thanked them.

HEARING ON HB 110

Sponsor: **REP. ROYAL JOHNSON, HD 10, BILLINGS**

Proponents: **Anna Miller**, Department of Natural Resources and Conservation (**DNRC**)
Tom Livers, Department of Environmental Quality (**DEQ**)
Lucy Gallus, Montana Rural Water Systems

Opponents: None

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 8:24}

REP. JOHNSON advised this bill increases the money allotted to the **DNRC** for water pollution control. The increase is from \$15,000,000.00 to \$30,000,000.00, allowing for \$90,000,000.00 to be generated through project bonds. **REP. JOHNSON** advised the

committee in 1992 there was \$10,000,000.00 set aside which generated \$52,000,000.00 in bonds, in 1995 there was an additional \$5,000,000.00 approved but it did not get codified and therefore was unable to be used for bonds. **REP. JOHNSON** passed out **EXHIBIT(fcs47a01)** showing the utilization of the money, and noted this will take a 2/3 vote of the Senate for the increase, but this is a revolving fund enabling the money to be reused once the bonds were paid off, allowing money from the Coal Tax Trust to be invested into the state.

Proponents' Testimony:

Anna Miller, DNRC, advised this was the Waste Water Quality program and worked by issuing General Obligation Bonds, matching them with Federal money, and providing waste water loans with an interest rate of 3-4% to communities. **Ms. Miller** advised this low rate allows communities waste water systems that they could not otherwise afford. **Ms. Miller** noted the **DNRC** issues the bonds and reviews the loans while the **DEQ** handles all the technical information for the projects. **Ms. Miller** advised there has been over \$52,000,000.00 in projects completed as follows: 1991 \$5,000,000.00, 1995 \$7,000,000.00, 1998 \$10,000,000.00, in 1999 \$18,000,000.00 is anticipated to be completed, and in 2000 \$25,000,000.00. **Ms. Miller** stated there was no impact on the General Fund because the \$5,000,000.00 is Federal funds, matched with \$1,000,000.00 in General Obligation Bonds and the communities paid back the loans. **Ms. Miller** noted some communities have several loans and she felt that indicates the department is doing a good job, she noted through 2005 there will be \$10,000,000.00 per year of Federal grants available.

Tom Livers, DEQ, noted DEQ supports this bill and feels it is an important source of funding allowing necessary infrastructures for communities to become self sufficient.

Lucy Gallos, Montana Rural Water Systems, advised the rural communities relied upon this source of funding to complete projects and supported this bill. **Ms. Gallos** submitted **EXHIBIT(fcs47a02)**, letters of support from several communities.

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 8:31}

SEN. LYNCH questioned why this money was not run through Long Range Planning, **REP. JOHNSON** advised it was because no one has ever required it and agreed it should be in Long Range Planning. **REP. JOHNSON** thought it might have something to do with the bonds being backed by Coal Tax Trust verses General Obligation Bonds.

SEN. KEATING wondered if the \$69,000,000.00 total included the Federal money and if the Federal money was retained, **Ms. Miller** advised the total was including Federal funds and they were retained. **SEN. KEATING** thought the fund should grow in excess of \$100,000,000.00, **Ms. Miller** advised that was correct but noted the money had to be used for waste water projects, **SEN. KEATING** asked if the interest on the Federal money was retained and used for administration, **Ms. Miller** advised that is was.

SEN. MILLER thought **Laurel** Montana was using funds and asked why they were not on the list, **Ms. Miller** advised they are currently working on a drinking water project but were planning to apply for waste water funds upon completion of the other project.

CHAIRMAN SWYSGOOD inquired about the \$10,000,000.00 original match and asked if it was codified, **REP. JOHNSON** advised it was, **CHAIRMAN SWYSGOOD** then noted the other \$5,000,000.00 was not codified and questioned why on line 24 the 10 was crossed out and 30 added, **REP. JOHNSON** advised he was counting the 5 not codified as part of the 15 already received therefore it was actually an increased of \$15,000,000.00.

Closing by Sponsor:

REP. JOHNSON advised this program was working well and was an asset to small communities, he noted if there was a problem with the verbiage it should be changed by the committee now as the bill requires a 2/3 vote on the Senate floor to pass.

HEARING ON HB 207

Sponsor: **REP. ROYAL JOHNSON, HD 10, BILLINGS**

Proponents: **Sherry Meador**, Supreme Court's Court Assessment coordinator
Beth Baker, Department of Justice
Mary Phippen, Montana Association of Clerks of District Court

Opponents: None

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 8:38}

REP. JOHNSON advised this bill concerns the reimbursement to the District Court for cases involving abused and neglected children,

and is a recommendation from the court assessment study. **REP. JOHNSON** noted on page 3 line 13 the wording is incorrect and needs to be amended. **REP. JOHNSON** advised this money is to be used to pay legal expenses in cases where there is neglect or abuse and handed out **EXHIBIT(fcs47a03)**. **REP. JOHNSON** noted this bill also excluded the provision where \$500,000.00 is to be set aside for reimbursement to the Department of Corrections. **REP. JOHNSON** noted if the fund was insufficient to cover all the legal fees the county must pick up the balance.

Proponents' Testimony:

Sherry Meador, coordinator for the Supreme Court's Court Assessment program, read **EXHIBIT(fcs47a04)**.

Beth Baker, Department of Justice, advised the committee a year ago and ad hoc working group was appointed by the Governor and Attorney General, and that group recommended reimbursement of fees involved in the litigation of child abuse and neglect cases.

Ms. Baker read **EXHIBIT(fcs47a05)**, and added she thought the Fiscal note was misleading because it made it sound like the counties would be receiving less revenue as a result of this bill, however that is not the case since it eliminated the required money earmarked for the Department of Corrections.

{Tape : 1; Side : B; Approx. Time Counter : 0}

Mary Phippen, Montana Association of Clerks of District Court, read **EXHIBIT(fcs47a06)**.

Questions from Committee Members and Responses:

SEN. LYNCH requested clarification of the fiscal note from Dave Lewis regarding the effects on counties.

SEN. MAHLUM questioned why the \$500,000.00 was not used by the Department of Corrections, **Pat Chenovick**, Administrator for the Supreme Court, advised the Department of Corrections did not need the funds, therefore it was allowed to go to the counties.

Mr. Chenovick addressed the issue of the fiscal note and advised the expenses that are added for reimbursement under this bill would be referred to the counties in another form. **SEN. LYNCH** noted that is not what the fiscal note stated and wanted clarification. **Mr. Chenovick** pointed out some counties do not use this money for reimbursement of fees, but did use it for other items and felt this wording was there to prevent the grant money going for anything else.

SEN. WATERMAN advised she understood some County Attorneys were refusing to handle cases involving child abuse or neglect because they were too costly and took too much time, she wondered how that could happen, **Beth Baker** advised only one County Attorney had advised them they were unable to handle these cases and a private attorney has been hired to assist that county. **Ms. Baker** advised they are working with the County Attorneys to ensure they are being handled and this measure of assistance would help. **SEN. WATERMAN** advised she was concerned that even one county could decide what cases they would and would not handle.

SEN. CHRISTIAENS wanted to know how the District Court Grant Program was working and how it would change with this bill, **Mr. Chenovick** reread **Exhibit 3**. **Mr. Chenovick** advised the eligibility was calculated and dispersed based on a pro rata system, and noted last year there was \$632,000.00 needed between 18 counties. **SEN. CHRISTIAENS** stated after a county had exceeded their portion if money was still available they could apply for unused portion, **Mr. Chenovick** advised that was correct.

SEN. CHRISTIAENS noted that during the budget hearings for the Department of Corrections nothing was mentioned about this money and thought it odd the Department is constantly asking for more money but does not need this.

SEN. MOHL asked if anyone from the Department of Corrections opposed this bill during the other hearings, **REP. JOHNSON** advised they did not.

SEN. MOHL wanted to know who would budget this money, **REP. JOHNSON** advised the counties would have control of the money, and thought the Department of Corrections was not opposing this because these funds were earmarked for reimbursement and can not be used for anything else.

SEN. KEATING wondered where the money came from, **Mr. Chenovick** advised it was 7% of the 2% light vehicle tax. **SEN. KEATING** wondered if the reduction to licence plate fees would effect this, **Mr. Chenovick** advised it was his understanding the change was revenue neutral for this program and the grant money would not be reduced. *{Tape : 1; Side : B; Approx. Time Counter : 9:00}*

SEN. JERGESON questioned the need for the unfunded mandate exclusion, **REP. JOHNSON** advised the reason was because the amount of money needed was not known, but if it was insufficient the counties were responsible for the excess and noted this was not a new unfunded mandate to the counties.

SEN. JERGESON advised he has seen several bills going through with this wording and thought it inappropriate based on the current statute for unfunded mandates.

CHAIRMAN SWYSGOOD asked if these money was statutorily appropriated, **Mr. Chenovick** advised they were. **CHAIRMAN SWYSGOOD** asked why the new wording in the title, **Mr. Chenovick** advised the Legislative Fiscal Analyst advised there was no specific supplemental for this grant and this was to correct the interpretation of the Fiscal Analyst. **CHAIRMAN SWYSGOOD** expressed his concern over the unfunded mandate clause and asked who struck out the \$500,000.00 for the Department of Corrections. **REP. JOHNSON** advised he thought it came from the oversight committee because of the increase needs by the counties. **CHAIRMAN SWYSGOOD** noted it is always the case with District Courts and stated their need does not take away the fact there is an obligation to the Department of Corrections in there adjudication for Foster Care People. **CHAIRMAN SWYSGOOD** wanted to know who was going to pay for it, **REP. JOHNSON** commented the Department has not expressed objections. **Ms. Meador** advised the original intent was for the counties to be reimbursed and this takes it back to the original intent.

SEN. LYNCH wanted to know why the cap was lifted, **Ms. Meador** advised there was no cap. **SEN. LYNCH** kept asking **Ms. Meador** to explain this, **Mr. Chenovick** explained that **REP. COBB**, the original bills sponsor, intended the money to be used for the youth in the Department of Corrections and added **REP. COBB** had told him the money was not being used for what he intended so it might as well not be set aside.

SEN. JERGESON advised the cap was there so the money would go to the Department of Corrections instead of the counties, but since the money is not going to Department of Corrections it should go to the counties.

Closing by Sponsor:

REP. JOHNSON noted the original program was not set up to reimburse the Department of Corrections but the counties. In 1995 the Department of Corrections received an appropriation of \$500,000.00 that they do not use, and this bill simply puts it back in line with the original intent. **REP. JOHNSON** noted all revenues dispersed are still being accounted for and he did not have an objection to changing the unfunded mandate language.

SEN. JERGESON commented on the budget overage and the committee discussed the need to reduce the appropriations of the General Fund. **CHAIRMAN SWYSGOOD** advised he has requested all House bills with an impact to the General Fund to be routed through Finance and Claims, because at this point there is not enough money to support all the bills out there. **SEN MOHL** wondered if the shortage included the projected tax cuts, **CHAIRMAN SWYSGOOD** advised those were reflected in the revenue and is on the ending line.

ADJOURNMENT

Adjournment: 9:17 A.M.

SEN. CHUCK SWYSGOOD, Chairman

SHANNON GLEASON, Secretary

CS/SG

EXHIBIT (fcs47aad)